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State Auditor

A Report on

Executive Compensation at State Agencies

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Overall Conclusion

The decisions of state agencies' executive officers directly affect the delivery of services to the citizens of Texas. Therefore, it is in the State's best interest to ensure equitable pay for executive officer positions to help recruit and retain qualified executive officers capable of effectively and efficiently managing state agencies. Executive officer salaries had a wide range—from \$65,000 to \$312,000—as of June 30, 2012.

A State Auditor's Office study of executive compensation identified significant disparities among the salaries of some executive officers compared with the salaries of other executive officers and/or compared with salaries of other management positions at state agencies. Specifically:

- Eleven (37 percent) executive officers were among the top 30 highest paid management employees at state agencies¹. The remaining 19 (63 percent) positions were employees in other management positions (see Table 1 on pages 4 and 5 for more information).
 - Ten of the 19 other management positions included deputy directors.
 - Seven of the 19 other management positions were at the Department of Transportation (including two deputy directors).
- Four executive officers and four other management positions earned higher salaries than the Health and Human Services Commission's executive commissioner (commissioner). The commissioner oversees 5 agencies with a

Exempt Positions, Executive Officers, and Other Management Positions

Exempt Positions. An exempt position is exempted from the State's Position Classification Plan (Plan). Article IX of the General Appropriations Act establishes conditions for exempt positions. The schedule of exempt positions specifies salaries of certain employees not covered by the Plan.

Executive Officers. For the purpose of this report, "executive officers" refers to state employees who serve as the administrative heads for state agencies and hold titles such as executive director, superintendent, and commissioner. See Appendix 3 for a list of the specific positions covered by this report.

Other Management Positions. For the purpose of this report, "other management positions" refers to state employees who are not executive officers and hold titles such as deputy director, division director, and chief financial officer.

¹ This analysis excluded investment and medical positions.

combined annual budget of approximately \$31.8 billion and 57,001 authorized full-time equivalent employees.²

The recommendations in this report are intended to bring about comparable pay among similar executive officer positions at state agencies. An analysis of the 30 highest management salaries at state agencies identified the following:

- The Department of Public Safety's Colonel is not on the list of the top 30 management salaries.
- The Higher Education Coordinating Board's commissioner, the Department of Criminal Justice's executive director, and the Texas Education Agency's commissioner all tied at 27th on the list of the top 30 management salaries. (The Higher Education Coordinating Board's commissioner is eligible to receive salary supplements.)
- The Health and Human Services Commission's executive commissioner ranked 9th on the list of the top 30 management salaries.
- The Department of Transportation's executive director ranked 2nd on the list of the top 30 management salaries.
- The Employees Retirement System's executive director ranked 1st and the Teacher Retirement System's executive director ranked 4th on the list of the top 30 management salaries. (The Employees Retirement System's executive director is eligible to receive additional compensation.)

For this analysis, the State Auditor's Office placed agencies in one of three executive officer compensation tiers, which are groups of agencies according to recommended salary groups, based on factors such as the size of the agency's budget, the number of authorized full-time equivalent employees, and the complexity of the agency's mission (see Chapter 1-B for more information).

Summary of Objective, Scope, and Methodology

The objective of this report was to conduct a study reviewing exempt position compensation to:

- Compare exempt positions to market average compensation for similar executive positions.
- Compare exempt positions' salaries to classified positions' salaries.
- Prepare an analysis of exempt position compensation that considers agency size, agency appropriations, authorized full-time equivalent employee levels, and classified positions within the agency.

² The commissioner during fiscal year 2012 retired effective August 31, 2012; a new commissioner was appointed effective September 1, 2012.

The Texas Legislature directed the State Auditor's Office to conduct a study that reviews the compensation of exempt positions in Article IX, Section 3.09, the General Appropriations Act (82nd Legislature). The scope of this study included 74 executive officer positions that were exempt from the State's Position Classification Plan (Plan) during the 2012-2013 biennium and 1 director-level position at the Bob Bullock Texas State History Museum. This report also provides salary comparisons for elected officials; the Secretary of State, who is appointed by the Governor; members of the appellate courts in the judiciary branch; and executive officers for self-directed, semi-independent agencies. This study excluded executive officer positions at higher education institutions and legislative agencies, except for the State Auditor, which was included for purposes of comparison.

For this study, the State Auditor's Office compared exempt positions from different agencies and considered the size of an agency's annual appropriations; the number of authorized full-time equivalent employees of the agency; market average compensation for similar executive positions; the exempt position salary as compared to the salaries of classified positions within the agency; and specialized education required for each position.

In addition to reviewing compensation data compiled by external parties, the State Auditor's Office conducted surveys of state agency executive officers and human resource directors and select public entities, and analyzed salaries for full-time classified state employees and exempt executive officers as of February 28, 2008, February 29, 2012, and June 30, 2012, from statewide personnel systems.

A family member of the State Auditor is the executive director of a state agency included in the scope of this report. This condition could be seen as potentially affecting our independence in making recommendations related to the agency. This condition did not affect our conclusions and is discussed further in Appendix 1 on page 23 of this report.

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Detailed Results

Chapter 1

Highest Salaried Management Positions at State Agencies and Recommended Salary Ranges for Executive Officers

Executive Officers

For the purposes of this report, “executive officers” refers to the state employees who serve as the administrative heads for state agencies and hold titles such as executive director, superintendent, and commissioner.

The decisions of state agencies’ executive officers directly affect the delivery of services to the citizens of Texas. Therefore, it is in the State’s best interest to ensure equitable pay for executive officer positions to help recruit and retain qualified executive officers capable of effectively and efficiently managing state agencies.

A State Auditor’s Office study of executive compensation identified significant disparities among the salaries of some executive officers compared with other executive officers and/or compared with salaries of other management positions at state agencies. For example:

- Four executive officers and four other management positions earned higher salaries than the Health and Human Services Commission’s executive commissioner (commissioner). The commissioner oversees 5 agencies with a combined annual budget of approximately \$31.8 billion and 57,001 authorized full-time equivalent employees.³
- The Department of Public Safety’s executive officer (the Colonel) was not on the list of the 30 highest management salaries, even though that position administers an agency providing services for public safety. In addition, the Department of Public Safety has 8,932 authorized full-time equivalent employees and an annual budget of approximately \$1.5 billion, making it one of the largest state agencies in terms of employees and budget.

For this analysis, the State Auditor’s Office placed agencies in one of three executive officer compensation tiers, which are groups of agencies according to recommended salary groups, based on factors such as the size of the agency’s budget, the number of authorized full-time equivalent employees, and the complexity of the agency’s mission.

³ The commissioner during fiscal year 2012 retired effective August 31, 2012; a new commissioner was appointed effective September 1, 2012.

Highest Management Salaries at State Agencies

Department of Transportation Compensation Study

In May 2010, a *Report on Management and Organizational Review* for the Department of Transportation (Department) was issued by Grant Thornton, LLP. Section 4 of that report contains a compensation study on selected management positions.

The Texas Transportation Commission (Commission) was authorized to contract for a compensation study on executive pay at the Department of Transportation, by Section 18.16, the General Appropriations Act (82nd Legislature). Section 18.16 also authorized the Commission to set the executive officer's salary, which could exceed the maximum for salary group 8 if certain conditions were met, including approval by the Governor and the Legislative Budget Board. The Grant Thornton, LLP report is posted at the Department's Web site.

Authorized Full-time Equivalent Employees and Budget

Authorized full-time equivalent employees are based on the second quarter of fiscal year 2012 (quarter ending February 29, 2012), including the Governor's and the Legislative Budget Board's approved changes.

The budget data is from the General Appropriations Act (82nd Legislature) "total method of financing" category in agencies' bill patterns.

The two highest paid executive officers at state agencies are the executive officers at the Employees Retirement System and the Department of Transportation. The Employees Retirement System's board of trustees sets the salary for the executive officer position at that agency. The Texas Transportation Commission sets the salary for the executive officer at the Department of Transportation; the Commission contracted for a compensation study in May 2010 (see text box for additional information about that study).

Table 1 on pages 4 and 5 lists the 30 highest management salaries among state agencies as of June 30, 2012. Eleven (37 percent) executive officers were among the top 30 highest paid management employees at state agencies. The remaining 19 (63 percent) positions were:

- Twelve classified employees within the State's Position Classification Plan in salary groups B32 or B33. The titles for those 12 positions are deputy director, division director, and deputy comptroller. (See Table 11 on pages 26-27 for the salary ranges for selected salary groups in Salary Schedule B of the State's Position Classification Plan.)
- Seven exempt employees, five of whom were Department of Transportation management executives. The 82nd Legislature granted the Texas Transportation Commission the authority to establish up to five management positions at the Department of Transportation within group 8 of the exempt salary schedule. (See Table 10 on page 26 for the salary ranges for salary groups within the Schedule of Exempt Positions, which includes executive officer positions that are exempt from the State's Position Classification Plan.)

The salaries for the executive officers at some of the agencies with some of the largest budgets and/or authorized full-time equivalent employees were less than the salaries of some other management positions (see text box for more information about authorized employees and budget). For example, as of June 30, 2012:

- The Health and Human Services Commission's executive commissioner—who is responsible for an agency that administers programs such as Medicaid, the Children's Health Insurance Program, the Supplemental Nutrition Assistance Program, and disaster assistance—earned an annual salary that was lower than the annual salaries for eight other management

positions at state agencies. The Health and Human Services Commission has 12,383 authorized full-time equivalent employees and a budget of approximately \$20.7 billion and is responsible for the oversight of the other four large agencies that comprise Texas's health and human services system: the Department of Aging and Disability Services, the Department of State Health Services, the Department of Family and Protective Services, and the Department of Assistive and Rehabilitative Services. (The 5 agencies have a combined annual budget of approximately \$31.8 billion and 57,001 authorized full-time equivalent employees.)

- The Department of Criminal Justice's executive director, who is responsible for the management of state prisons and state jails, and for the oversight of private correctional facilities, earned an annual salary that was lower than the annual salaries for 26 other management positions at state agencies. (The Department of Criminal Justice's executive director's salary tied with the salary of the Texas Education Agency's commissioner and the Higher Education Coordinating Board's commissioner.) The Department of Criminal Justice has the largest number of authorized full-time equivalent employees at 40,071 and a budget of approximately \$3.0 billion.
- The Texas Education Agency's commissioner, who administers an agency responsible for providing guidance and resources to help Texas public schools meet the educational needs of all students, earned an annual salary that was lower than the annual salaries of 26 other management positions at state agencies. (The Texas Education Agency's commissioner's salary tied with the salary of Department of Criminal Justice's executive director and the Higher Education Coordinating Board's commissioner). The Texas Education Agency has 826 authorized full-time equivalent employees and a budget of approximately \$25.4 billion.

In addition, the annual salaries of some executive officers at state agencies responsible for providing health and safety services to the public were lower than the salaries of all of the 30 management positions listed in Table 1 on the next page. Examples of those executive officer positions include the following:

- The Department of Public Safety's Colonel earned an annual salary of \$162,000, as of June 30, 2012. This executive officer oversees an agency providing services for public safety and has 8,932 authorized full-time equivalent employees and a budget of approximately \$1.5 billion.
- The Department of State Health Services' commissioner earned an annual salary of \$183,750, as of June 30, 2012. This executive officer oversees an agency responsible for improving the health and well-being of residents and has 12,468 authorized full-time equivalent employees and a budget of approximately \$2.9 billion.

Table 1

Thirty Highest Management Salaries at State Agencies^a
As of June 30, 2012

Rank	Agency	Job Title	Annual Salary	Type of Employee ^b	Salary Group	Executive Officer of Agency?
1	Employees Retirement System ^c	Executive Director	\$ 312,000 plus bonus	Exempt	No Salary Group	Yes
2	Department of Transportation	Executive Director	\$ 292,500	Exempt	8	Yes
3	Treasury Safekeeping Trust Company	Chief Executive Officer	\$ 292,000	Unclassified	No Salary Group	Yes
4	Teacher Retirement System	Executive Director	\$ 270,000	Exempt	No Salary Group	Yes
5	Department of Transportation	Innovative Finance/Debt Management Officer	\$ 250,000	Exempt	8	No
6 (tie)	Department of Transportation	Chief Strategy and Administration Officer	\$ 245,000	Exempt	8	No
6 (tie)	Department of Transportation	Chief Planning/Project Officer	\$ 245,000	Exempt	8	No
8	Teacher Retirement System	Deputy Administrative Officer	\$ 231,276	Exempt	No Salary Group	No
9	Health And Human Services Commission	Executive Commissioner	\$ 230,000	Exempt	8	Yes
10	Health and Human Services Commission	Deputy Director	\$ 216,652	Classified	B33	No
11	General Land Office	Deputy Director	\$ 216,446	Classified	B33	No
12	Department of Transportation	Deputy Executive Director/Chief Engineer	\$ 215,000	Exempt	8	No
13	Cancer Prevention and Research Institute of Texas ^d	Executive Director	\$ 214,000 plus supplement	Exempt	7	Yes
14	Cancer Prevention and Research Institute of Texas ^e	Chief Scientific Officer	\$ 212,000 plus supplement	Exempt	6	No
15	General Land Office	Deputy Director	\$ 210,244	Classified	B33	No
16	Teacher Retirement System	Deputy Director	\$ 205,200	Classified	B33	No
17	Department of Transportation	Chief Financial Officer	\$ 205,000	Exempt	8	No
18	Comptroller of Public Accounts	Deputy Comptroller	\$ 201,960	Classified	B33	No
19	General Land Office	Deputy Director	\$ 199,997	Classified	B33	No
20	General Land Office	Deputy Director	\$ 199,310	Classified	B33	No
21	State Auditor's Office	State Auditor	\$ 198,000	Unclassified	No Salary Group	Yes
22	Employees Retirement System	Deputy Director	\$ 196,000	Classified	B33	No
23	Department of Transportation	Deputy Director	\$ 195,000	Classified	B33	No
24	General Land Office	Division Director	\$ 194,480	Classified	B32	No
25	Office of the Governor	Deputy Director	\$ 192,975	Classified	B33	No
26	Department of Transportation	Deputy Director	\$ 190,000	Classified	B33	No
27 (tie)	Higher Education Coordinating Board ^f	Commissioner of Higher Education	\$ 186,300 plus supplement	Exempt	8	Yes

Thirty Highest Management Salaries at State Agencies ^a

As of June 30, 2012

Rank	Agency	Job Title	Annual Salary	Type of Employee ^b	Salary Group	Executive Officer of Agency?
27 (tie)	Department of Criminal Justice	Executive Director	\$ 186,300	Exempt	8	Yes
27 (tie)	Texas Education Agency	Commissioner of Education	\$ 186,300	Exempt	8	Yes
30	Texas Lottery Commission	Executive Director	\$ 185,319	Exempt	6	Yes

^a This analysis excluded legislative agencies, except for the State Auditor; higher education institutions; self-directed, semi-independent agencies; temporary positions; selected unclassified positions, except for the Chief Executive Officer of the Treasury Safekeeping Trust Company; medical positions, such as psychiatrists and physicians; and investment positions, such as chief investment officer, investment fund director, and portfolio manager. See Tables 7 and 8 in Chapter 2-C for the 25 highest salaried medical and investment positions at state agencies.

^b A classified position is included in the State's Position Classification Plan in Article IX of the General Appropriations Act (82nd Legislature). An exempt position is either listed in the General Appropriations Act under a state agency's schedule of exempt positions or exempt by the Governor from the State's Position Classification Plan. An unclassified position is neither classified nor exempt.

^c In addition to the base salary amount, the executive officer of the Employees Retirement System is eligible to receive additional compensation. In fiscal year 2011, the executive officer received a one-time bonus of \$26,000.

^d In addition to the base salary amount, the executive officer of the Cancer Prevention and Research Institute of Texas is eligible to receive a supplement from a foundation established to benefit the agency, as authorized by Rider 4, page I-18, the General Appropriations Act (82nd Legislature). The salary supplement may not exceed \$86,000 for a total combined salary of \$300,000 in out of state and foundation funds each fiscal year. In fiscal year 2011, the agency reported that its executive officer received \$71,000 in additional compensation.

^e In addition to the base salary amount, the chief scientific officer of the Cancer Prevention and Research Institute of Texas is eligible to receive a supplement from a foundation established to benefit the agency, as authorized by Rider 4, Page I-18, the General Appropriations Act (82nd Legislature), not to exceed \$488,000 in each fiscal year of the biennium for a combined salary of \$700,000 in out of state and foundation funds each fiscal year. In fiscal year 2011, the agency reported that its chief scientific officer received \$488,000 in additional compensation.

^f The Higher Education Coordinating Board's commissioner is eligible to receive additional compensation from the College for All Texans Foundation of \$40,000 annually based on fund raising efforts and approval by that foundation's board of directors.

Chapter 1-B

Executive Officer Recommended Salary Ranges and Salary Groups

The State Auditor's Office conducted a market comparison using public and private sector data appropriate to the nature and complexity of 74 executive officer positions that were exempt from the State's Position Classification Plan during the 2012-2013 biennium and 1 director-level position at the Bob Bullock Texas State History Museum (see Appendix 3 for more information on the market analysis).

To determine the recommended salary ranges for incumbent executive officers and salary groups for each position listed in Tables 2, 3, and 4 in this chapter, the State Auditor's Office analyzed:

- The executive officer salaries and the assigned salary groups.
- The size of the agency's annual appropriations.
- The number of authorized full-time equivalent employees of the agency.

- Market average compensation for similar executive positions.
- The agency's mission.
- Salaries of classified employees.
- Specialized education required for the position.

Based on this analysis, some executive officer positions may have a recommended salary group that is higher than their currently assigned salary group.

This report does not recommend specific salaries for individuals. The Texas Legislature sets salaries during the budget process or an agency's governing board sets salaries as authorized by statute or the General Appropriations Act. When setting salaries, the Legislature and each agency's governing board should consider an individual executive officer's performance, experience, education, licenses, certifications, as well as the agency's ability to pay. For example, not all executive officers should be paid at the market average, which is usually an amount that is at or near the midpoint of an assigned salary range. It may be appropriate for employees with limited experience or who are not meeting performance targets to be paid closer to the minimum of the salary range. Similarly, it may be appropriate for an employee to be paid a salary at the midpoint or higher in the salary range if the employee (1) has qualifications that bring strong experience to the job, (2) exceeds the qualifications required for the job, (3) exceeds performance targets, and/or (4) is an outstanding performer. Other factors that should be considered when placing an employee within a salary range include the difference between the pay of an executive officer and the pay of other agency staff and budgetary factors.

In addition to compensation analysis information for state agency executive officers, this report also provides information about market comparisons for elected officials and the Secretary of State, appellate judicial positions, and executive officers at self-directed, semi-independent agencies. Specifically:

- See Appendix 4 for more information on market comparisons for elected officials and the Secretary of State.
- See Appendix 5 for more information on market comparisons for appellate judicial positions.
- See Appendix 6 for more information on market comparisons for executive officer positions at self-directed, semi-independent agencies.

For this analysis, the State Auditor's Office placed agencies in one of three executive officer compensation tiers, which are groups of agencies according to recommended salary groups. The tiers excluded executive officers for

higher education institutions and legislative agencies and unclassified positions (for example, the Treasury Safekeeping Trust Company's executive director position).

Tier I Positions

Tier I includes 19 executive officer positions at state agencies, most of which have the largest number of authorized full-time equivalent employees and/or budget amounts within Texas government. These include:

- **Health and Human Services** – These agencies include the Health and Human Services Commission, the Department of Aging and Disability Services, the Department of Assistive and Rehabilitative Services, the Department of Family and Protective Services, and the Department of State Health Services. These agencies are responsible for services such as protecting the health of citizens; protecting and assisting children, the elderly, and the disabled; and providing Supplemental Nutrition Assistance Program and Medicaid benefits.
- **Education** – These agencies include the Higher Education Coordinating Board and the Texas Education Agency. These agencies are responsible for helping to ensure that Texas meets the educational needs of students.
- **Public Safety and Criminal Justice** – These agencies include the Department of Criminal Justice, the Department of Public Safety, and the Texas Juvenile Justice Department. These agencies are responsible for ensuring public safety and homeland security.

Table 2 on the next page lists the recommended salary ranges and salary groups for Tier I positions. Except for the executive officer positions at the Employees Retirement System and the Teacher Retirement System, the executive officer positions for Tier I agencies have a recommended exempt salary group of 7 (\$162,000 to \$254,700) or 8 (\$186,300 to \$292,500). It should be noted that the salary ranges listed in Table 2 do not always match the full ranges of the recommended salary groups (see Table 10 in Appendix 2 for the full ranges of each salary group). The recommended salary range minimum is based on the incumbent's salary as of June 30, 2012, or the minimum of the recommended salary group, whichever was higher.

Table 2

Tier I Executive Officer Compensation			
Agency	Executive Officer Salary as of June 30, 2012	Recommended Salary Range	Recommended Salary Group
Employees Retirement System ^a	\$ 312,000 plus bonus	Not Applicable	Not Applicable
Department of Transportation ^b	\$ 292,500	Not Applicable	8
Teacher Retirement System ^a	\$ 270,000	Not Applicable	Not Applicable
Health and Human Services Commission	\$ 230,000	\$230,000 to \$292,500	8
Cancer Prevention and Research Institute of Texas ^c	\$ 214,000 plus supplement	\$214,000 to \$254,700	7
Higher Education Coordinating Board ^d	\$ 186,300 plus supplement	\$186,300 to \$292,500	8
Department of Criminal Justice	\$ 186,300	\$186,300 to \$292,500	8
Texas Education Agency	\$ 186,300	\$186,300 to \$292,500	8
Texas Lottery Commission	\$ 185,319	\$185,319 to \$254,700	7
Department of State Health Services	\$ 183,750	\$186,300 to \$292,500	8
Department of Insurance	\$ 175,000	\$175,000 to \$254,700	7
Texas Juvenile Justice Department	\$ 172,000	\$172,000 to \$254,700	7
Department of Family and Protective Services	\$ 168,000	\$168,000 to \$254,700	7
Department of Aging and Disability Services	\$ 163,200	\$163,200 to \$254,700	7
Department of Public Safety	\$ 162,000	\$186,300 to \$292,500	8
Department of Assistive and Rehabilitative Services	\$ 145,860	\$162,000 to \$254,700	7
Commission on Environmental Quality	\$ 145,200	\$162,000 to \$254,700	7
Parks and Wildlife Department	\$ 143,000	\$162,000 to \$254,700	7
Texas Workforce Commission	\$ 140,000	\$162,000 to \$254,700	7
^a The Employees Retirement System and the Teacher Retirement System boards of trustees set the salaries for the executive officer positions at their respective agencies. In addition to the base salary amount, the executive officer of the Employees Retirement System is eligible to receive additional compensation; in fiscal year 2011, the executive officer received a one-time bonus of \$26,000. ^b The Department of Transportation's executive director's annual salary was at the maximum amount for salary group 8 as of June 30, 2012. ^c In addition to the base salary amount, the executive officer of the Cancer Prevention and Research Institute of Texas is eligible to receive a supplement from a foundation established to benefit the agency, as authorized by Rider 4, page I-18, the General Appropriations Act (82nd Legislature). The salary supplement may not exceed \$86,000 for a total combined salary of \$300,000 in out of state and foundation funds each fiscal year. In fiscal year 2011, the agency reported that its executive officer received \$71,000 in additional compensation. ^d The Higher Education Coordinating Board's commissioner is eligible to receive additional compensation from the College for All Texans Foundation of \$40,000 annually based on fund raising efforts and approval by the foundation's board of directors.			

Tier II Positions

Tier II includes 32 executive officer positions primarily at state agencies that are mid-sized with between 100 and 800 authorized full-time equivalent employees. All of the executive officer positions in Tier II have a recommended exempt salary group of 4 (\$106,500 to \$167,500), 5 (\$122,500 to \$192,600), or 6 (\$140,900 to \$221,500).

Table 3 lists the recommended salary ranges and salary groups for Tier II positions. It should be noted that the salary ranges listed in Table 3 do not always match the full ranges of the recommended salary groups. The recommended salary range minimum is based on the incumbent's salary as of June 30, 2012, or the minimum of the recommended salary group, whichever was higher.

Table 3

Tier II Executive Officer Compensation			
Agency	Executive Officer Salary as of June 30, 2012	Recommended Salary Range	Recommended Salary Group
Department of Information Resources	\$ 175,000	\$175,000 to \$221,500	6
Department of Motor Vehicles	\$ 175,000	\$175,000 to \$221,500	6
Preservation Board	\$ 160,000	\$160,000 to \$192,600	5
Department of Licensing and Regulation	\$ 145,000	\$145,000 to \$192,600	5
Department of Insurance, Workers' Compensation	\$ 140,000	\$140,000 to \$192,600	5
Adjutant General's Department	\$ 139,140	\$139,140 to \$192,600	5
Water Development Board	\$ 135,000	\$135,000 to \$192,600	5
Office of Capital Writs	\$ 130,000	\$130,000 to \$167,500	4
Office of Court Administration, Texas Judicial Council	\$ 130,000	\$130,000 to \$167,500	4
Securities Board	\$ 130,000	\$130,000 to \$192,600	5
Department of Housing and Community Affairs	\$ 129,250	\$140,900 to \$221,500	6
Facilities Commission	\$ 126,500	\$140,900 to \$221,500	6
Office of the State Prosecuting Attorney ^a	\$ 125,000	\$125,000 to \$167,500	4
Historical Commission	\$ 124,992	\$124,992 to \$167,500	4
Alcoholic Beverage Commission	\$ 122,500	\$122,500 to \$192,600	5
State Office of Administrative Hearings	\$ 122,500	\$122,500 to \$192,600	5
Preservation Board, Bob Bullock Texas State History Museum ^b	\$ 122,000	\$122,500 to \$192,600	5
Texas Medical Board ^c	\$ 121,000 plus supplement	\$121,000 to \$167,500	4
Animal Health Commission	\$ 120,000	\$120,000 to \$167,500	4
Public Finance Authority	\$ 120,000	\$120,000 to \$167,500	4
Public Utility Commission of Texas	\$ 120,000	\$122,500 to \$192,600	5
Office of Injured Employee Counsel	\$ 115,500	\$115,500 to \$167,500	4
Office of Public Utility Counsel	\$ 115,000	\$115,000 to \$167,500	4

Tier II Executive Officer Compensation

Agency	Executive Officer Salary as of June 30, 2012	Recommended Salary Range	Recommended Salary Group
School for the Blind and Visually Impaired	\$ 115,000	\$115,000 to \$167,500	4
School for the Deaf	\$ 115,000	\$115,000 to \$167,500	4
Texas Ethics Commission	\$ 115,000	\$115,000 to \$167,500	4
Veterans Commission	\$ 115,000	\$115,000 to \$167,500	4
Board of Pharmacy	\$ 106,500	\$106,500 to \$167,500	4
Office of Public Insurance Counsel	\$ 106,500	\$106,500 to \$167,500	4
Library and Archives Commission	\$ 104,500	\$106,500 to \$167,500	4
Soil and Water Conservation Board	\$ 92,600	\$106,500 to \$167,500	4
Texas Board of Nursing	\$ 92,600	\$106,500 to \$167,500	4

^a The salary for the state prosecuting attorney position is set in Texas Government Code, Section 46.003. The state prosecuting attorney and each state prosecutor is entitled to receive state compensation equal to the compensation that is provided for a district judge position in the General Appropriations Act.

^b The executive officer position at the Bob Bullock Texas State History Museum is currently classified as a Director IV in the State's Position Classification Plan.

^c The Texas Medical Board may authorize an additional salary supplement not to exceed \$12,000 annually if the executive officer is a medical doctor and an attorney, as authorized by Rider 3, page VIII-37, the General Appropriations Act (82nd Legislature).

Tier III Positions

Tier III includes 24 executive officer positions primarily at small state agencies that have fewer than 100 authorized full-time equivalent employees. All of the executive officer positions in Tier III have a recommended exempt salary group of 1 (\$70,000 to \$110,000), 2 (\$80,500 to \$126,600), or 3 (\$92,600 to \$145,600).

Table 4 on the next page lists the recommended salary ranges and salary groups for Tier III positions. It should be noted that the salary ranges listed in Table 4 do not always match the full ranges of the recommended salary groups. The recommended salary range minimum is based on the incumbent's salary as of June 30, 2012, or the minimum of the recommended salary group, whichever was higher.

Table 4

Tier III Executive Officer Compensation			
Agency	Executive Officer Salary as of June 30, 2012	Recommended Salary Range	Recommended Salary Group
Trusted Programs Within the Office of the Governor, Office of State-Federal Relations ^a	\$ 125,000	\$125,000 to \$145,600	3
State Commission on Judicial Conduct	\$ 110,000	\$110,000 to \$145,600	3
State Office of Risk Management	\$ 104,500	\$104,500 to \$145,600	3
Bond Review Board	\$ 99,000	\$99,000 to \$145,600	3
Commission on Fire Protection	\$ 92,600	\$92,600 to \$145,600	3
Commission on State Emergency Communications	\$ 90,750	\$92,600 to \$145,600	3
Racing Commission ^b	\$ 88,000	\$92,600 to \$145,600	3
Commission on Law Enforcement Officer Standards and Education	\$ 88,000	\$92,600 to \$145,600	3
Commission on the Arts	\$ 85,250	\$85,250 to \$126,600	2
Texas State Board of Dental Examiners	\$ 82,500	\$82,500 to \$126,600	2
Board of Veterinary Medical Examiners	\$ 80,500	\$80,500 to \$126,600	2
Pension Review Board	\$ 80,000	\$80,500 to \$126,600	2
Board of Plumbing Examiners	\$ 77,000	\$80,500 to \$126,600	2
Fire Fighters' Pension Commissioner	\$ 77,000	\$80,500 to \$126,600	2
Commission on Jail Standards	\$ 75,350	\$80,500 to \$126,600	2
Board of Examiners of Psychologists	\$ 75,075	\$75,075 to \$110,000	1
State Law Library	\$ 70,180	\$80,500 to \$126,600	2
Board of Chiropractic Examiners	\$ 70,000	\$70,000 to \$110,000	1
Board of Professional Geoscientists	\$ 70,000	\$70,000 to \$110,000	1
Executive Council of Physical Therapy and Occupational Therapy Examiners	\$ 70,000	\$70,000 to \$110,000	1
Funeral Service Commission	\$ 70,000	\$70,000 to \$110,000	1
Optometry Board	\$ 70,000	\$70,000 to \$110,000	1
Board of Podiatric Medical Examiners ^c	\$ 69,000	\$70,000 to \$110,000	1
Board of Professional Land Surveying ^c	\$ 65,000	\$70,000 to \$110,000	1
^a A cost of living salary supplement not to exceed \$1,200 per month is authorized for Office of State and Federal Relations employees whose duty station is Washington, D.C., by Rider 13, page I-63, the General Appropriations Act (82nd Legislature). The current executive director does not reside in Washington, D.C. ^b An additional \$6,090 can be added to the Racing Commission's executive officer's base salary with the approval of the Racing Commission. ^c The executive officer's current annual salary is below the minimum salary of \$70,000 of the current assigned salary group, which is group 1.			

Pay Compression and Executive Officer Salaries

Pay compression occurs when the pay of a subordinate employee comes close to, matches, or exceeds the pay of a direct supervisor, including an agency's executive officer. When this occurs, the difference in pay may be disproportionate to the difference in the responsibilities, which could create internal inequity. Although there may be circumstances in which an employee could justifiably be paid more than his or her direct supervisor, standard compensation practices recommend an average difference of at least 15 percent between an executive officer's salary and the salaries of the staff the executive officer oversees.

This differential can help to maintain internal pay equity by recognizing executives for their skills, experience, and scope of responsibilities for managing an agency. However, as discussed below, pay compression exists among executive officers and their staff at several state agencies. Pay compression also was identified as a concern by several executive officers and human resources directors whom the State Auditor's Office surveyed for this report.

Chapter 2-A

Pay Compression Exists Among Some Executive Officers and Their Staff

The State Auditor's Office reviewed the 2012 salaries of executive officers and full-time classified, unclassified and other exempt employees at state agencies (excluding agencies with elected executive officers and the Secretary of State, members of the judiciary, legislative agencies, self-directed, semi-independent agencies, and higher education institutions) and determined that:

- A total of 181 employees at 12 state agencies had salaries that exceeded the annual salaries of the executive officer at their agencies (see Table 5 on the next page).
- A total of 107 employees at 37 state agencies had salaries that were the same as or within 10 percent less than the annual salaries of the executive officer at their agencies (see Table 6). Specifically:
 - ♦ 38 employees at 22 agencies had salaries that were the same or within 5 percent less than the annual salaries of the executive officer at their agencies. Twenty-six (68 percent) of the 38 employees were in director or general counsel positions.
 - ♦ 69 employees at 28 agencies had salaries that were 6 percent to 10 percent less than the annual salaries of the executive officer at their agencies. Fifty-five (80 percent) of the 69 employees were in director

or legal positions (general counsel, attorney, and administrative law judge).

Table 5 shows the total number of employees who have a higher salary than the executive officer at their agencies.

Table 5

Total Number of Employees with a Higher Salary than the Executive Officer at Their Agencies As of February 29, 2012					
Agency	Types of Positions				
	Accountant/ Actuary	Director	General Counsel	Investment ^a	Physician/ Psychiatrist
Board of Examiners of Psychologists	1	0	0	0	0
Department of Aging and Disability Services	0	0	0	0	55
Department of Assistive and Rehabilitative Services	0	1	0	0	0
Department of State Health Services	0	0	0	0	107
Employees Retirement System	0	0	0	1	0
Facilities Commission	0	1	1	0	0
Pension Review Board	1	0	0	0	0
Teacher Retirement System	0	0	0	4	0
Texas Board of Nursing	0	3	1	0	0
Texas Education Agency	0	0	0	2	0
Texas Juvenile Justice Department	0	0	0	0	1
Water Development Board	0	0	1	1	0
Total	2	5	3	8	163
^a Job titles for investment positions include deputy executive director of investments, deputy director investment officer, portfolio manager, investment fund director, and chief investment officer.					

Table 6 on the next page shows the number of employees whose annual salary was the same as or within 10 percent less than the annual salaries of the executive officer at their agencies as of February 29, 2012.

Table 6

Total Number of Employees with a Salary Within 10 Percent Less than the Executive Officer's Salary As of February 29, 2012		
Agency	Number of Employees with a Salary That Was the Same or Within 5 Percent Less Than the Executive Officer's Salary	Number of Employees with a Salary That Was 6 Percent to 10 Percent Less Than the Executive Officer's Salary
Adjutant General's Department	0	2
Alcoholic Beverage Commission	3	0
Board of Chiropractic Examiners	0	1
Board of Pharmacy	0	4
Cancer Prevention and Research Institute of Texas	1	0
Commission of State Emergency Communications	2	0
Commission on Environmental Quality	1	1
Commission on the Arts	0	1
Department of Aging and Disability Services	3	1
Department of Family and Protective Services	1	0
Department of Housing and Community Affairs	5	1
Department of Information Resources	0	1
Department of Insurance	0	1
Department of Licensing and Regulation	0	1
Department of Public Safety	2	15
Department of State Health Services	1	6
Executive Council of Physical and Occupational Therapy Examiners	2	1
Facilities Commission	1	0
Health and Human Services Commission	0	1
Higher Education Coordinating Board	0	2
Historical Commission	0	1
Library and Archives Commission	1	0
Office of Injured Employee Counsel	1	0
Parks and Wildlife Department	0	2
Racing Commission	0	3
School for the Blind and Visually Impaired	1	4
Securities Board	2	0
State Office of Administrative Hearings	2	7
State Office of Risk Management	1	1
Texas Board of Nursing	2	1
Texas Education Agency	2	3

Total Number of Employees with a Salary Within 10 Percent Less than the Executive Officer's Salary As of February 29, 2012		
Agency	Number of Employees with a Salary That Was the Same or Within 5 Percent Less Than the Executive Officer's Salary	Number of Employees with a Salary That Was 6 Percent to 10 Percent Less Than the Executive Officer's Salary
Texas Ethics Commission	0	1
Texas Lottery Commission	0	1
Texas Medical Board	1	1
Texas State Board of Dental Examiners	1	0
Veterans Commission	0	3
Water Development Board	2	2
Totals	38	69

Possible Causes of Pay Compression

Pay compression can occur as state agencies for a variety of reasons. Possible causes include:

Not-to-exceed Rates

For the General Appropriations Act (82nd Legislature):

- 70 executive officer positions that had an assigned salary group in the Schedule of Exempt Positions also had not-to-exceed rates.
- 18 executive officer positions had assigned not-to-exceed rates that were at the minimum of their assigned salary group.

- Not-to-exceed rates can set an unintentional salary limit for the entire agency. Most executive officers have salary ranges that are authorized in the General Appropriations Act. Limitations on the authorized salaries, referred to as “not-to-exceed” rates (see text box for more information), are also set out in the General Appropriations Act. These not-to-exceed rates can set an unintentional salary limit for the entire agency if the agency’s executive officer or the agency’s governing board chooses to not pay employees in professional-level positions close to or higher than the executive officer’s salary. For example, most agencies have a need for specialized employees in legal, finance, information technology, and other technical fields. Unless the agencies are willing to set the salaries for employees in those positions close to or higher than the executive officer’s salary, agencies may struggle to recruit and retain staff for professional positions because of market competition.
- Executive officers classified as “exempt” are not eligible for the same types of salary increases as the employees they manage. Employees classified within the State’s Position Classification Plan are eligible for increases, such as merit increases. There is no similar provision for most exempt employees, such as executive officers.

Executive Officers and Human Resources Directors Expressed Concerns about Executive Officer Pay at Some State Agencies

In a survey that the State Auditor's Office conducted, some agency executive officers and human resources directors expressed concerns about the executive officer's salary at their agency. Those concerns included:

- The agency is not able to increase the executive officer's pay, even if the increase would be within the executive officer's salary range, because of the not-to-exceed rate. The inability to increase the executive officer's pay has contributed to pay compression at the agency.
- Inequity exists in pay among executive officer employees at state agencies. The pay for the executive officer position does not match the level of job responsibilities.
- The agency may have difficulty obtaining qualified applicants when the executive officer position becomes vacant because the agency cannot offer a market-competitive salary.
- Executive officers at some agencies have received salary increases in recent years, while other executive officers' salaries have remained stagnant for several years.
- Merit increases similar to those available for classified employees are not available for executive officer positions.

Medical and Investment Positions Are Among the Highest Paid in State Government

As shown in Table 5 in Chapter 2-A, more employees in medical and investment positions have annual salaries that exceed their executive officers' salaries than employees in other types of positions.

Table 7 on the next page lists the job titles and salaries of the 25 highest paid medical positions. The majority of the positions listed in Table 7 work for the Department of Aging and Disability Services and the Department of State Health Services. They all earn more than the Department of Aging and Disability Services' commissioner, who earns \$163,200, and the Department of State Health Services' commissioner, who is a medical doctor⁴ responsible for the overall management of the agency and earns \$183,750.

⁴ The Health and Human Services executive commissioner appoints the Department of State Health Services' commissioner with the approval of the Governor. The Department of State Health Services' commissioner must be licensed to practice medicine in Texas or, if that individual is not a physician then a person who is licensed to practice medicine in Texas shall be designated as chief medical executive of the Department of State Health Services in accordance with Texas Health and Safety Code, Section 11.012.

Table 7

Twenty-five Highest Salaried Medical Positions at State Agencies ^a As of June 30, 2012					
Rank ^b	Agency	Job Title	Annual Salary	Employee Type	Salary Group
1	Department of Aging and Disability Services	Physician III	\$ 216,652	Classified	B33
1	Department of Aging and Disability Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of Aging and Disability Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of Aging and Disability Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of Aging and Disability Services	Physician III	\$ 216,652	Classified	B33
1	Department of State Health Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of State Health Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of State Health Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of State Health Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Department of State Health Services	Psychiatrist III	\$ 216,652	Classified	B33
1	Texas Juvenile Justice Department	Physician III	\$ 216,652	Classified	B33
12	Department of State Health Services	Psychiatrist III	\$ 215,000	Classified	B33
13	Department of State Health Services	Physician III	\$ 212,174	Classified	B33
13	Department of State Health Services	Psychiatrist III	\$ 212,174	Classified	B33
15	Department of Aging and Disability Services	Psychiatrist III	\$ 211,925	Classified	B33
15	Department of Aging and Disability Services	Psychiatrist III	\$ 211,925	Classified	B33
15	Department of State Health Services	Psychiatrist III	\$ 211,925	Classified	B33
18	Department of Aging and Disability Services	Psychiatrist III	\$ 211,922	Classified	B33
19	Department of State Health Services	Physician III	\$ 210,000	Classified	B33
19	Department of State Health Services	Psychiatrist III	\$ 210,000	Classified	B33
21	Department of Aging and Disability Services	Physician III	\$ 209,286	Classified	B33
22	Department of State Health Services	Psychiatrist III	\$ 208,260	Classified	B33
22	Department of State Health Services	Psychiatrist III	\$ 208,260	Classified	B33
22	Department of State Health Services	Psychiatrist III	\$ 208,260	Classified	B33
22	Department of State Health Services	Psychiatrist III	\$ 208,260	Classified	B33
^a This table excludes higher education institutions. ^b Several positions are tied at the same salary amount.					

Sources: Uniform Statewide Payroll/Personnel System, Human Resource Information System, and Standardized Payroll/Personnel Reporting System.

Table 8 shows the 25 highest paid investment positions. The majority of these positions are at the Teacher Retirement System or the Employees Retirement System. Some of the positions in Table 8 also may be eligible to receive additional compensation. The executive director at the Employees Retirement System earns an annual salary of \$312,000 and is eligible for additional pay. The executive director of the Teacher Retirement System earns an annual salary of \$270,000.

Table 8

Twenty-five Highest Salaried Investment Positions at State Agencies ^a					
As of June 30, 2012					
Rank	Agency	Job Title	Annual Salary	Employee Type	Salary Group
1	Teacher Retirement System	Chief Investment Officer	\$480,000	Exempt	Not Applicable
2	Teacher Retirement System	Investment Fund Director	\$330,000	Exempt	Not Applicable
3	Employees Retirement System	Deputy Executive Director Of Investments	\$312,120	Unclassified	Not Applicable
4	Teacher Retirement System	Deputy Director Investment Officer	\$294,000	Exempt	Not Applicable
5	General Land Office	Portfolio Manager V	\$250,233	Classified	B35
6	Employees Retirement System	Portfolio Manager V	\$225,072	Classified	B35
7	Water Development Board	Portfolio Manager V	\$225,000	Classified	B35
8	Teacher Retirement System	Portfolio Manager V	\$223,592	Classified	B35
9	Teacher Retirement System	Portfolio Manager V	\$222,310	Classified	B35
10	Teacher Retirement System	Portfolio Manager V	\$220,862	Classified	B35
11	Employees Retirement System	Portfolio Manager V	\$218,400	Classified	B35
12	Treasury Safekeeping Trust Company ^b	Chief Investment Officer	\$217,000	Unclassified	Not Applicable
13	Texas Education Agency	Portfolio Manager IV	\$210,836	Classified	B33
14	Teacher Retirement System	Portfolio Manager V	\$207,500	Classified	B35
15	Teacher Retirement System	Portfolio Manager V	\$206,800	Classified	B35
16	Teacher Retirement System	Portfolio Manager V	\$201,650	Classified	B35
17	Texas Education Agency	Chief Investment Officer	\$197,676	Classified	B33
18	Teacher Retirement System	Portfolio Manager IV	\$196,730	Classified	B33
19	Teacher Retirement System	Portfolio Manager IV	\$192,816	Classified	B33
20	Cancer Prevention and Research Institute of Texas	Chief Investment Officer	\$189,577	Classified	B33
21	Employees Retirement System	Portfolio Manager IV	\$187,008	Classified	B33
22	Employees Retirement System	Portfolio Manager IV	\$184,740	Classified	B33
23	Teacher Retirement System	Portfolio Manager IV	\$183,600	Classified	B33
24	Teacher Retirement System	Portfolio Manager V	\$180,730	Classified	B35
25 (tie)	Employees Retirement System	Portfolio Manager IV	\$180,000	Classified	B33

Twenty-five Highest Salaried Investment Positions at State Agencies ^a					
As of June 30, 2012					
Rank	Agency	Job Title	Annual Salary	Employee Type	Salary Group
25 (tie)	Teacher Retirement System	Portfolio Manager V	\$180,000	Classified	B35
<p>^a This table excludes higher education institutions. Also, some positions are eligible for additional compensation. See <i>An Audit Report on Incentive Compensation at the Teacher Retirement System, the Employees Retirement System, and the Permanent School Fund</i> (State Auditor's Office Report No. 12-030, May 2012) for additional information.</p> <p>^b The State Auditor's Office relied on job titles to identify investment positions. Some agencies, such as the Treasury Safekeeping Trust Company, may have additional high-paying positions for employees whose primary function is investments but whose job title does not reflect that.</p>					

Sources: Uniform Statewide Payroll/Personnel System, Human Resource Information System, and Standardized Payroll/Personnel Reporting System.

Chapter 2-D

Changes in Salaries for the Highest Paid Executive Officer Positions at State Agencies

Table 9 on the next page shows the difference in salary over a 5-year period for the top 25 highest paid executive officer positions that were listed in Tier I and Tier II in Chapter 1. As Table 9 on the next page shows, salary adjustments for executive officer positions have varied among state agencies. Percent changes range from 0.0 percent to 75.8 percent over a five-year period. Article IX, Section 3.05, the General Appropriations Act (82nd Legislature) provides two mechanisms for increasing an executive officer's pay; however, those mechanisms are available to select agencies.

Those two mechanisms are:

- The Governor can set the rate of pay within the range for the respective exempt salary groups in which the positions are assigned.
- The agency's governing board, if applicable, can submit a request to the Governor, Legislative Budget Board, and the Comptroller of Public Accounts to increase an executive officer's pay within the position's assigned salary group.

Table 9

Change Over a 5-year Period for the 25 Highest Paid Executive Officer Positions at State Agencies ^a As of February 29, 2012					
Rank	Agency	Job Title	Change from Fiscal Year 2008 to Fiscal Year 2012		
			Annual Salary as of February 29, 2012	Annual Salary as of February 28, 2008	Percent Change
1	Employees Retirement System ^b	Executive Director	\$ 312,000	\$ 231,000	35.1%
2	Department of Transportation	Executive Director	\$ 292,500	\$ 192,500	51.9%
3	Teacher Retirement System	Executive Director	\$ 270,000	\$ 225,000	20.0%
4	Health and Human Services Commission	Executive Commissioner	\$ 230,000	\$ 200,000	15.0%
5	Cancer Prevention and Research Institute of Texas ^c	Executive Director	\$ 214,000	Not Applicable	Not Applicable
6	State Auditor's Office	State Auditor	\$ 198,000	\$ 198,000	0.0%
7	Higher Education Coordinating Board ^d	Commissioner of Higher Education	\$ 186,300	\$ 180,000	3.5%
8	Department of Criminal Justice	Executive Director	\$ 186,300	\$ 181,500	2.6%
9	Texas Education Agency	Commissioner of Education	\$ 186,300	\$ 180,000	3.5%
10	Texas Lottery Commission	Executive Director	\$ 185,319	\$ 135,000	37.3%
11	Department of State Health Services	Commissioner	\$ 183,750	\$ 183,750	0.0%
12	Department of Information Resources	Executive Director	\$ 175,000	\$ 175,000	0.0%
13	Department of Insurance	Commissioner of Insurance	\$ 175,000	\$ 163,800	6.8%
14	Department of Motor Vehicles ^e	Executive Director	\$ 175,000	Not Applicable	Not Applicable
15	Texas Juvenile Justice Department ^f	Executive Director	\$ 172,000	Not Applicable	Not Applicable
16	Department of Family and Protective Services	Commissioner	\$ 168,000	\$ 168,000	0.0%
17	Department of Aging and Disability Services	Commissioner	\$ 163,200	\$ 163,200	0.0%
18	Department of Public Safety	Director (Colonel)	\$ 162,000	\$ 157,500	2.9%
19	Preservation Board	Executive Director	\$ 160,000	\$ 91,000	75.8%
20	Department of Assistive and Rehabilitative Services	Commissioner	\$ 145,860	\$ 132,600	10.0%
21	Commission on Environmental Quality	Executive Director	\$ 145,200	\$ 145,200	0.0%
22	Department of Licensing and Regulation ^g	Executive Director	\$ 145,000	\$ 123,750	17.2%
23	Parks and Wildlife Department	Executive Director	\$ 143,000	\$ 130,000	10.0%
24	Department of Insurance, Workers' Compensation	Commissioner of Workers' Compensation	\$ 140,000	\$ 140,000	0.0%
25	Texas Workforce Commission	Executive Director	\$ 140,000	\$ 137,500	1.8%

Change Over a 5-year Period for the 25 Highest Paid Executive Officer Positions at State Agencies ^a
As of February 29, 2012

Rank	Agency	Job Title	Change from Fiscal Year 2008 to Fiscal Year 2012		
			Annual Salary as of February 29, 2012	Annual Salary as of February 28, 2008	Percent Change

^a This analysis excluded legislative agencies, except for the State Auditor; higher education institutions; self-directed, semi-independent agencies; elected officials and the Secretary of State; and members of the judiciary.

^b In addition to the base salary amount, the executive officer of the Employees Retirement System is eligible to receive additional compensation. In fiscal year 2011, the executive officer received a one-time bonus of \$26,000.

^c House Bill 14 (80th Legislature, Regular Session), with voter approval of a constitutional amendment on November 6, 2007, established the Cancer Prevention and Research Institute of Texas. Duties from the Cancer Council were transferred to the Cancer Prevention and Research Institute of Texas which began operation in 2009 with an increased scope and funding. In addition to the base salary amount, the executive officer of the Cancer Prevention and Research Institute is eligible to receive additional supplements as authorized by Rider 4, Page I-18, the General Appropriations Act (82nd Legislature), not to exceed \$86,000 in each fiscal year of the biennium. In fiscal year 2011, the agency reported that its executive officer received \$71,000 in additional compensation.

^d The commissioner is eligible to receive additional compensation from the College for All Texans Foundation of \$40,000 annually based on fund raising efforts and approval by the foundation's board of directors.

^e House Bill 3097 (81st Legislature, Regular Session) created the Department of Motor Vehicles. As a result, the following divisions of the Texas Department of Transportation were transferred to the agency: Motor Vehicle Division, Vehicle Titles and Registration Division, Automobile Burglary and Theft Prevention Authority, and the portion of the Motor Carrier Division responsible for motor carrier registration and enforcement.

^f Senate Bill 653 (82nd Legislature, Regular Session) created the Texas Juvenile Justice Department, effective December 1, 2011, which replaced the Texas Youth Commission and the Texas Juvenile Probation Commission.

^g Multiple state agencies have merged into the Department of Licensing and Regulation, including the Board of Tax Professional Examiners, the Polygraph Examiners Board, the State Board of Barber Examiners, and the Cosmetology Commission.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this report was to conduct a study reviewing exempt position compensation to:

- Compare exempt positions to market average compensation for similar executive positions.
- Compare exempt positions' salaries to classified positions' salaries.
- Prepare an analysis of exempt position compensation that considers agency size, agency appropriations, authorized full-time equivalent employee levels, and classified positions within the agency.

Scope

The scope of this study included 74 executive officer positions that were exempt from the State's Position Classification Plan (Plan) during the 2012-2013 biennium and 1 director-level position at the Bob Bullock Texas State History Museum.

The State Auditor's Office analyzed state agency executive officer pay at state agencies and other public and private sector entities, taking into account factors such as:

- The size of the agency's annual appropriations.
- The agency's number of authorized full-time equivalent employees using data as of February 29, 2012, including the Governor's and the Legislative Budget Board's approved changes.
- The market average compensation for similar executive positions.
- The executive officer position's salary compared to the salaries of classified positions within the agency.
- Specialized education required for each position.

This report also provides salary comparisons for executive officer positions at 7 agencies with elected officials and the Secretary of State in the executive branch; members of the 16 appellate courts in the judiciary branch; and executive officer positions at 8 self-directed, semi-independent agencies. Salaries for elected officials are a public policy decision that is not tied

directly to the market average for similar professional positions. Salaries for appellate judicial positions are outlined in Texas Government Code, Section 659.012.

This study excluded executive officer positions at higher education institutions and legislative agencies, except for the State Auditor, which was included for purposes of comparison.

A family member of the State Auditor is the executive director of a state agency included in the scope of this report. This condition could be seen as potentially affecting our independence in making recommendations related to the agency. We proceeded with this report as required by the Annual State Audit Plan and statute. The State Auditor recused himself from the sections of this report affecting the Facilities Commission, and those sections have been supervised, reviewed, and approved by Chief of Staff and General Counsel Anita D'Souza. This condition did not affect our conclusions.⁵

Methodology

For this study, the State Auditor's Office considered the average market compensation for similar executive and professional positions; compensation for classified employees; the size and complexity of agencies; and specialized education required for each position. The State Auditor's Office also compared executive officer positions from different agencies and took into account the size of an agency's annual appropriations and the number of agency's authorized full-time equivalent employees.

In developing recommendations, the State Auditor's Office also reviewed compensation rates for similar work performed in the public and private sectors and compared those rates to the midpoint of existing salary ranges to determine the market competitiveness of the salary range for the positions reviewed. Market salary data for each survey was aged to January 1, 2013.

In addition to reviewing compensation data compiled by external parties, the State Auditor's Office conducted surveys of state agency executive officers and human resource directors and select public sector entities in March 2012.

⁵ Terry Keel is the executive director of the Facilities Commission, a state agency.

In developing the recommended salary groups and ranges, the State Auditor's Office reviewed:

- *Book of the States Survey*, the Council of State Governments, April 2011.
- *Compensation Data 2011-Not-for-Profit South Central*, CompData Surveys, Dolan Technologies Corporation, March 2011.
- *Health Care Clinical and Professional Personnel Compensation Survey Report*, Towers Watson Data Services, January 2011.
- Judicial Salaries Resource Center salary survey data, National Center for State Courts, updated as of January 1, 2012.
- Superintendent Salary Reports, 2011-2012 Superintendent Salaries, Texas Education Agency, October 2011.
- *WorldatWork 38th Annual Salary Budget Survey*, 2011-2012.
- *2011 Nonprofit Organizations Salary and Benefits Report*, the NonProfit Times, Bluewater Nonprofit Solutions, 2011.
- *2011 Top Management Compensation Calculator- United States*, Towers Watson Data Services, April 2011.
- *2011 Texas Society for Healthcare Human Resources Administration and Education Wage and Benefit Survey*, Werling Associates, Inc., May 2011.
- Additional salary information provided by agencies.

Salaries for full-time classified state employees and exempt executive officers as of February 28, 2008, February 29, 2012, and June 30, 2012, were gathered from:

- The Uniform Statewide Payroll/Personnel System.
- The Human Resource Information System.
- The Standardized Payroll/Personnel Reporting System.

Project Information

Fieldwork was conducted from March 2012 through August 2012. This study was conducted in accordance with General Appropriations Act (82nd Legislature), Article IX, Section 3.09. This project was an analysis; therefore, the information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to ensure accuracy.

The following members of the State Auditor's staff performed the analysis:

- Sharon Schneider, PHR (Project Manager)
- Kelsey Arnold, MEd
- Stacey Robbins McClure, MBA, CCP, PHR
- Amadou N'gaide, MBA, CFE, CIDA
- Juliette Torres, MPA, CCP, PHR
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Michelle Ann Duncan Feller, CIA, CPA (Quality Control Reviewer)
- Dana Musgrave, MBA (Quality Control Reviewer)
- Sandra Vice, CIA, CGAP, CISA (Assistant State Auditor)

Salary Ranges for the Schedule of Exempt Positions and an Excerpt of Classified Salary Schedule B for the 2012-2013 Biennium

The salary ranges presented in Tables 10 and 11 are effective from September 1, 2011, through August 31, 2013.

Table 10 lists the salary ranges for salary groups within the Schedule of Exempt Positions, which includes executive officer positions that are exempt from the State's Position Classification Plan.

Table 10

Schedule of Exempt Positions' Salary Ranges for the 2012-2013 Biennium		
Salary Group	Minimum Salary	Maximum Salary
1	\$ 70,000	\$110,000
2	\$ 80,500	\$126,600
3	\$ 92,600	\$145,600
4	\$106,500	\$167,500
5	\$122,500	\$192,600
6	\$140,900	\$221,500
7	\$162,000	\$254,700
8	\$186,300	\$292,500

Source: General Appropriations Act (82nd Legislature), Article IX, Section 3.05.

Table 11 lists the salary ranges for selected salary groups in Salary Schedule B of the State's Position Classification Plan. Salary Schedule B begins with salary group B10 and ends with salary group B35. Table 11 lists the salary groups B26 through B35, which are salary ranges for classified professional and managerial positions that overlap with the exempt salary ranges.

Table 11

Excerpt from Classified Salary Schedule B for the 2012-2013 Biennium		
Salary Group	Minimum Salary	Maximum Salary
B26	\$ 67,380	\$111,176
B27	\$ 74,118	\$122,294
B28	\$ 81,529	\$134,524
B29	\$ 89,682	\$147,976
B30	\$ 98,651	\$162,773
B31	\$108,516	\$179,051
B32	\$119,367	\$196,956

Excerpt from Classified Salary Schedule B for the 2012-2013 Biennium		
Salary Group	Minimum Salary	Maximum Salary
B33	\$131,304	\$216,652
B34	\$144,434	\$238,317
B35	\$158,878	\$262,148

Source: General Appropriations Act (82nd Legislature), Article IX, Section 2.01.

Market Analysis

To determine the market average for executive officer positions at Texas state agencies, the State Auditor's Office blended market data from public, nonprofit, and private sector salary survey sources. To supplement this data, the State Auditor's Office sent surveys to agencies in the 10 most populous states outside Texas, quasi-governmental agencies, and major Texas cities and counties.

This analysis considered the nature and complexity of each agency, such as the number of authorized full-time equivalent employees, budget size, and scope of responsibilities. The analysis also considered job requirements of the executive officer positions, such as a requirement for a specialized or advanced degree. The analysis did not consider the job performance or the experience level of the individuals currently performing the jobs.

Table 12 lists, by General Appropriations Act article, the market average, current salary group, and recommended salary group for each agency reviewed. Table 12 excludes legislative agencies; agencies with elected officials and the Secretary of State; the appellate judicial courts; self-directed, semi-independent agencies; and unclassified positions (for example, the Treasury Safekeeping Trust Company's executive director position). For additional market comparisons:

- See Appendix 4 for more information on market comparisons for elected officials and the Secretary of State.
- See Appendix 5 for more information on market comparisons for appellate judicial positions.
- See Appendix 6 for more information on market comparisons for executive officer positions at self-directed, semi-independent agencies.

Table 12

State Auditor's Office's Market Analysis and Salary Groups for Executive Officer Positions				
Agency Name	Executive Officer Title	Market Average ^a	Current Salary Group	Recommended Salary Group
Article I				
Bond Review Board	Executive Director	\$122,242	3	3
Cancer Prevention and Research Institute of Texas	Executive Director	\$202,649	7	7
Commission on State Emergency Communications	Executive Director	\$123,841	2	3
Commission on the Arts	Executive Director	\$105,265	2	2

State Auditor's Office's Market Analysis and Salary Groups for Executive Officer Positions				
Agency Name	Executive Officer Title	Market Average ^a	Current Salary Group	Recommended Salary Group
Department of Information Resources	Executive Director	\$182,662	6	6
Employees Retirement System	Executive Director	\$264,720	None	None
Facilities Commission	Executive Director	\$178,211	5	6
Fire Fighters' Pension Commissioner	Commissioner	\$110,893	1	2
Historical Commission	Executive Director	\$140,982	4	4
Library and Archives Commission	Director-Librarian	\$136,809	3	4
Pension Review Board	Executive Director	\$112,690	1	2
Preservation Board	Executive Director	\$152,431	4	5
Preservation Board, Bob Bullock Texas State History Museum	Director IV	\$147,199	B29 ^b	5
Public Finance Authority	Executive Director	\$134,807	4	4
State Office of Risk Management	Executive Director	\$128,238	3	3
Texas Ethics Commission	Executive Director	\$142,114	4	4
Trusted Programs Within the Office of the Governor, Office of State-Federal Relations	Executive Director	\$117,559	3	3
Veterans Commission	Executive Director	\$132,355	4	4
Article II				
Department of Aging and Disability Services	Commissioner	\$248,073	7	7
Department of Assistive and Rehabilitative Services	Commissioner	\$222,557	6	7
Department of Family and Protective Services	Commissioner	\$248,717	7	7
Department of State Health Services	Commissioner	\$257,786	7	8
Health and Human Services Commission	Executive Commissioner	\$272,407	8	8
Article III				
Higher Education Coordinating Board	Commissioner of Higher Education	\$225,030	8	8
School for the Blind and Visually Impaired	Superintendent	\$143,945	4	4
School for the Deaf	Superintendent	\$151,359	4	4
Teacher Retirement System	Executive Director	\$269,433	None	None
Texas Education Agency	Commissioner of Education	\$237,745	8	8
Article IV				
Office of Capital Writs	Executive Director	\$142,702	3	4
Office of Court Administration, Texas Judicial Council	Administrative Director	\$155,009	4	4
Office of the State Prosecuting Attorney	State Prosecuting Attorney	\$146,486	None	4
State Commission on Judicial Conduct	Executive Director	\$124,140	3	3
State Law Library	Director	\$108,864	1	2

State Auditor's Office's Market Analysis and Salary Groups for Executive Officer Positions				
Agency Name	Executive Officer Title	Market Average ^a	Current Salary Group	Recommended Salary Group
Article V				
Adjutant General's Department	Adjutant General	\$173,693	5	5
Alcoholic Beverage Commission	Administrator	\$159,018	5	5
Commission on Fire Protection	Executive Director	\$114,779	3	3
Commission on Jail Standards	Executive Director	\$105,156	1	2
Commission on Law Enforcement Officer Standards and Education	Executive Director	\$116,804	2	3
Department of Criminal Justice	Executive Director	\$250,414	8	8
Department of Public Safety	Director	\$229,373	6	8
Texas Juvenile Justice Department	Executive Director	\$209,284	6	7
Article VI				
Animal Health Commission	Executive Director	\$140,170	4	4
Commission on Environmental Quality	Executive Director	\$219,930	6	7
Parks and Wildlife Department	Executive Director	\$205,498	5	7
Soil and Water Conservation Board	Executive Director	\$135,555	3	4
Water Development Board	Executive Administrator	\$177,309	5	5
Article VII				
Department of Housing and Community Affairs	Executive Director	\$178,039	5	6
Department of Motor Vehicles	Executive Director	\$188,466	5	6
Department of Transportation	Executive Director	\$247,158	8	8
Texas Lottery Commission	Executive Director	\$209,789	6	7
Texas Workforce Commission	Executive Director	\$207,399	5	7
Article VIII				
Board of Chiropractic Examiners	Executive Director	\$ 95,730	1	1
Board of Examiners of Psychologists	Executive Director	\$ 95,985	1	1
Board of Pharmacy	Executive Director	\$132,946	4	4
Board of Plumbing Examiners	Executive Director	\$105,439	1	2
Board of Podiatric Medical Examiners	Executive Director	\$ 85,931	1	1
Board of Professional Geoscientists	Executive Director	\$ 95,136	1	1
Board of Professional Land Surveying	Executive Director	\$ 91,079	1	1
Board of Veterinary Medical Examiners	Executive Director	\$ 96,015	2	2
Department of Insurance	Commissioner of Insurance	\$211,224	6	7
Department of Insurance, Workers' Compensation	Commissioner of Workers' Compensation	\$162,629	5	5
Department of Licensing and Regulation	Executive Director	\$152,424	4	5
Executive Council of Physical and Occupational Therapy Examiners	Executive Director	\$ 99,483	1	1

State Auditor's Office's Market Analysis and Salary Groups for Executive Officer Positions				
Agency Name	Executive Officer Title	Market Average ^a	Current Salary Group	Recommended Salary Group
Funeral Service Commission	Executive Director	\$ 95,063	1	1
Office of Injured Employee Counsel	Public Counsel	\$144,707	3	4
Office of Public Insurance Counsel	Public Counsel	\$144,191	4	4
Office of Public Utility Counsel	Public Counsel	\$141,328	4	4
Optometry Board	Executive Director	\$ 89,882	1	1
Public Utility Commission of Texas	Executive Director	\$156,804	4	5
Racing Commission	Executive Director	\$122,603	2	3
State Office of Administrative Hearings	Chief Administrative Law Judge	\$169,443	5	5
Securities Board	Securities Commissioner	\$152,683	5	5
Texas Board of Nursing	Executive Director	\$140,404	3	4
Texas Medical Board	Executive Director	\$142,223	4	4
Texas State Board of Dental Examiners	Executive Director	\$106,451	2	2
^a The market average is a composite of all applicable market survey data; the number of survey sources varied for each position reviewed. ^b This study included one director-level position, which is currently classified as a Director IV in the State's Position Classification Plan.				

Salary Comparison for Elected Officials and the Secretary of State

Table 13 lists the salaries for comparable positions for Texas elected officials and the Secretary of State in the 10 most populous states in addition to Texas. The Secretary of State in Texas is not an elected position but is appointed by the Governor.

Table 13

Salary Comparisons for Elected Officials and the Secretary of State in the Most Populous States For 2012							
State	Governor	Attorney General	Comptroller	Railroad Commission ^a	General Land Office ^a	Secretary of State ^b	Agriculture
California ^c	\$173,987	\$151,127	\$139,189	No Match	\$147,828	\$130,490	\$175,000
Florida	\$130,273 ^d	\$128,972	\$128,972	\$140,000	No Match	\$140,000	\$128,972
Georgia	\$139,339	\$137,791	\$115,781 ^e	No Match	No Match	\$123,636	\$121,556
Illinois	\$177,412	\$156,541	\$135,669	No Match	No Match	\$156,541	\$133,273
Michigan	\$159,300	\$112,410	\$174,204 ^e	\$145,000	No Match	\$112,410	\$140,000
New Jersey	\$175,000	\$141,000	\$141,000	\$141,000	No Match	\$141,000	\$141,000
New York	\$179,000	\$151,500	\$151,500	\$136,000	\$136,000	\$120,800	\$120,800
North Carolina	\$139,590	\$123,198	\$153,319 ^e	No Match	No Match	\$123,198	\$123,198
Ohio	\$148,886	\$109,986	\$109,986 ^e	\$127,400	No Match	\$109,986	\$116,397
Pennsylvania	\$182,224	\$151,610	\$130,250 ^f	\$145,778	No Match	\$131,201	\$131,201
Texas	\$150,000	\$150,000	\$150,000	\$137,500	\$137,500	\$125,880	\$137,500

^a The specific responsibilities of the General Land Office and the Railroad Commission are unique in Texas. As a result, direct matches for these agencies were often not available. For this table, many matches to the Railroad Commission and the General Land Office were similar but not exact. For example, some of the responsibilities of the Railroad Commission are within a Department of Natural Resources or a Department of Environmental Conservation in other states.

^b In Texas, this is an appointed position.

^c Effective December 2009, salaries for elected officials in California were reduced by 18 percent. Prior to that, the salary for the governor was \$212,179; the salary for the attorney general was \$184,301; the salary for the controller was \$169,743; and the salary for the secretary of state was \$159,134.

^d The Florida governor's salary has decreased since 2008 when the reported salary was \$132,932. The current governor does not accept a salary.

^e This is the salary for the treasurer position in these states.

^f This is the salary for the chief accounting officer position, which is responsible for the comptroller functions in Pennsylvania.

Sources: *The Book of the States 2011* and State Auditor's Office salary survey.

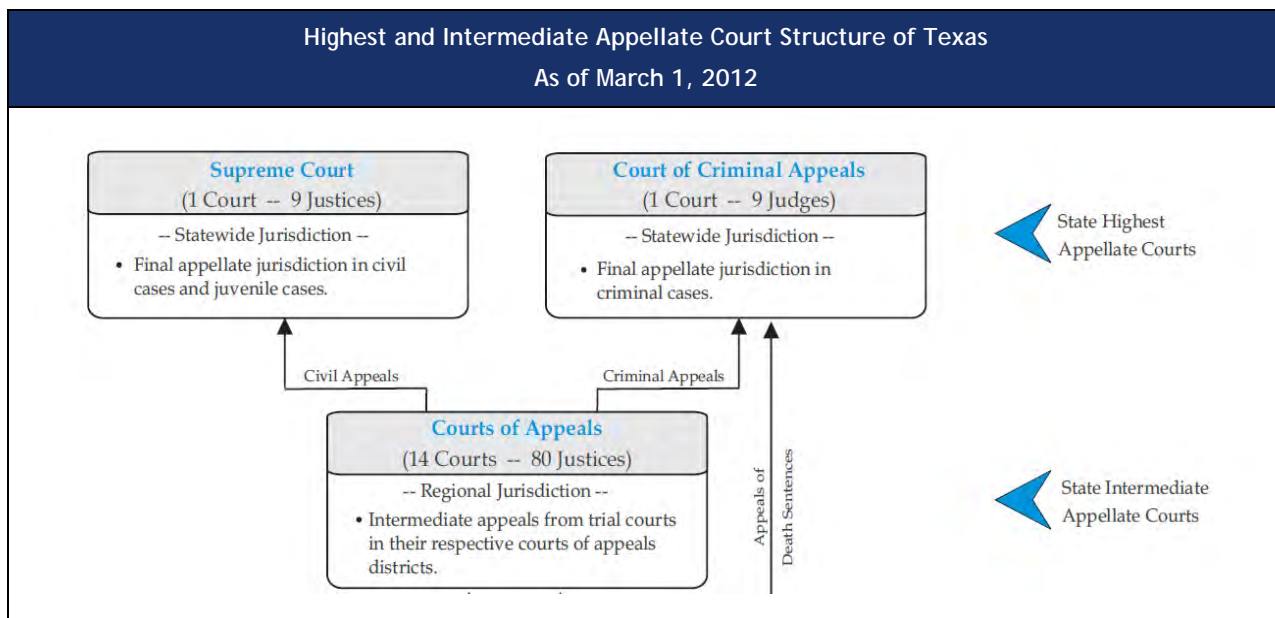
Salary Comparisons for Appellate Judicial Officials

The 80th Texas Legislature created the Judicial Compensation Commission (Commission) effective September 1, 2007, to recommend the proper salaries to be paid to all justices and judges of the Supreme Court of Texas, the Court of Criminal Appeals, the courts of appeals, and the district courts. The Commission is responsible for making a report on judicial compensation to the Texas Legislature no later than December 1 of each even-numbered year.

Texas Government Code, Chapter 31, authorizes additional compensation for courts of appeals justices. In its October 2010 report to the Texas Legislature, the Commission stated that the courts of appeals justices also were eligible to receive up to \$7,500 in additional compensation as a county salary supplement. However, judges on the state's highest courts do not receive a supplement because those judges are not associated with a given county or group of counties.

Figure 1 shows the structure of the highest and intermediate appellate courts in Texas as of March 1, 2012.

Figure 1



Source: Texas Courts Online at <http://www.courts.state.tx.us/>.

Table 14 lists the salaries for appellate judicial officials in Texas compared to the salaries for similar judicial positions in the other 10 most populous states.

Table 14

Salaries for Appellate Judicial Officials in the Most Populous States ^a				
As of January 1, 2012				
State	Chief Judge/Justice ^c	Associate Judge/Justice ^d	Chief/Presiding Courts of Appeals ^e	Associate Judge Courts of Appeals ^f
California	\$ 228,856	\$ 218,237	\$ 204,599	\$ 204,599
Florida	\$ 157,976	\$ 157,976	\$ 150,077	\$ 150,077
Georgia ^b	\$ 167,210	\$ 167,210	\$ 166,186	\$ 166,186
Illinois	\$ 209,344	\$ 209,344	\$ 197,032	\$ 197,032
Michigan	\$ 164,610	\$ 164,610	\$ 151,441	\$ 151,441
New Jersey	\$ 192,795	\$ 185,482	\$ 175,534	\$ 175,534
New York	\$ 156,000	\$ 151,200	\$ 148,000	\$ 144,000
North Carolina	\$ 140,932	\$ 137,249	\$ 135,061	\$ 131,531
Ohio	\$ 150,850	\$ 141,600	\$ 132,000	\$ 132,000
Pennsylvania ^g	\$ 200,993	\$ 195,309	\$ 189,694	\$ 184,287
Texas	\$ 152,500	\$ 150,000	\$ 140,000	\$ 137,500
^a This table lists only base salaries without any salary supplements. ^b Georgia salary data is from a July 1, 2010, <i>Survey of Judicial Salaries</i> conducted by the National Center for State Courts. ^c In Texas, Chief Judge/Justice refers to the chief judge of the Supreme Court and the chief judge of the Court of Criminal Appeals. ^d In Texas, Associate Judge/Justice refers to the eight Supreme Court justices and the eight Court of Criminal Appeals judges. ^e In Texas, Chief/Presiding Courts of Appeals refers to the 14 presiding judges of the 14 courts of appeals. ^f In Texas, Associate Judge Courts of Appeals refers to the 66 justices for the 14 courts of appeals. ^g Pennsylvania salary data is from Title 204, The Pennsylvania Code, Section 211.2.				

Sources: National Center for State Courts' Judicial Salary Resource Center, *Survey of Judicial Salaries*; and The Pennsylvania Code.

Salary Comparisons for Executive Officers at Self-directed, Semi-independent Agencies

Table 15 lists the salaries and market comparisons for executive officer positions at the eight self-directed, semi-independent agencies. Each agency's board of trustees or commission sets the executive officer's salary for its agency.

Table 15

Salaries and Market Comparison for Executive Officers at Self-Directed, Semi-Independent Agencies		
Agency	Executive Officer Salary as of June 30, 2012	Market Average
Board of Architectural Examiners	\$114,801	\$134,027
Board of Professional Engineers	\$107,625	\$138,357
Credit Union Department	\$142,400	\$157,839
Department of Banking ^a	\$205,200	\$187,726
Department of Savings and Mortgage Lending ^a	\$176,700	\$165,377
Office of the Consumer Credit Commissioner ^a	\$170,500	\$167,282
Real Estate Commission	\$116,700	\$151,075
State Board of Public Accountancy	\$127,308	\$134,804
^a In addition to the base salary amount, an executive officer at an agency under the Finance Commission of Texas's oversight is eligible to receive a monthly stipend if that person is also performing the duties of the executive officer of the Finance Commission of Texas. The Department of Savings and Mortgage Lending executive officer was appointed executive director of the Finance Commission of Texas effective September 1, 2011, with additional compensation of \$1,000 per month added to that individual's base pay of \$14,725 a month.		

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The Honorable Joe Straus III, Speaker of the House, Joint Chair

The Honorable Steve Ogden, Senate Finance Committee

The Honorable Thomas “Tommy” Williams, Member, Texas Senate

The Honorable Jim Pitts, House Appropriations Committee

The Honorable Harvey Hilderbran, House Ways and Means Committee

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The Honorable Rick Perry, Governor



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